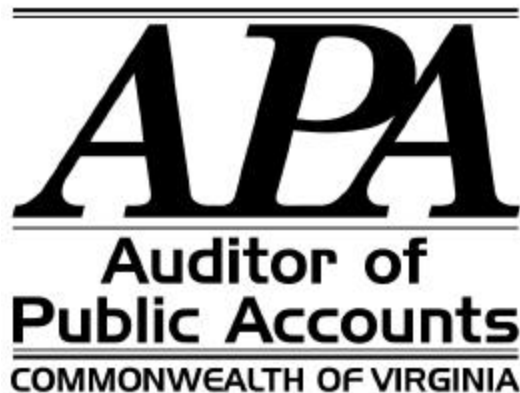


**NORFOLK STATE UNIVERSITY  
NORFOLK, VIRGINIA**

**INTERCOLLEGIATE ATHLETIC PROGRAMS  
FOR THE YEAR ENDED  
JUNE 30, 2002**



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May 23, 2003

The Honorable Mark R. Warner  
Governor of Virginia

The Honorable Kevin G. Miller  
Chairman, Joint Legislative Audit  
and Review Commission

Dr. Marie V. McDemmond  
President, Norfolk State University

### **INDEPENDENT AUDITOR'S REPORT ON APPLICATION OF AGREED-UPON PROCEDURES**

We have audited the financial statements of **Norfolk State University** as of and for the year ended June 30, 2002, and have issued our unqualified report thereon dated May 23, 2003. At the request of the President of the University, we have performed agreed-upon procedures to the University's Intercollegiate Athletics Programs for the fiscal year ended June 30, 2002, discussed below, solely to assist the University in complying with National Collegiate Athletic Association (NCAA) Bylaw 6.2.3.1. The University is responsible for the Intercollegiate Athletics Programs including preparation of the Schedule of Revenues and Expenditures of Intercollegiate Athletic Programs. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of the procedures is solely the responsibility of the University. Consequently, we make no representation regarding sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

#### **Schedule of Revenues and Expenditures of Intercollegiate Athletic Programs - Agreed-Upon Substantive Procedures**

- a. We obtained the Schedule of Revenues and Expenditures of Intercollegiate Athletic Programs (Schedule) for the year ended June 30, 2002, as prepared by the University and shown in this report. We recalculated the addition of the amounts on the Schedule, traced the amounts on the Schedule to management's worksheets, and agreed the amounts on management's worksheets to the Intercollegiate Athletic Department's accounts in the accounting records. We noted no differences between the amounts in the Intercollegiate Athletic Department's accounts in the accounting records and

the amounts on the worksheets. We discussed the nature of worksheet adjustments with management and are satisfied that the adjustments are appropriate.

- b. We applied certain analytical review techniques to the balances reported on the Schedule in order to determine the reasonableness of amounts reported therein. These techniques included trend analyses and other tests using operating data and reviews of actual amounts expended in comparison to budgeted amounts.
- c. We vouched each individual contribution received directly by the University for its Intercollegiate Athletic Programs that constituted more than ten percent of the contributions so received. Except for contributions received from the Athletic Foundation of Norfolk State University, Inc., an affiliated organization, we noted no individual contribution that constituted more than ten percent of total contributions received for intercollegiate athletics.

Because the above procedures “a” through “c” do not constitute an audit made in accordance with generally accepted auditing standards, we do not express an opinion on the Schedule of Revenues and Expenditures of Intercollegiate Athletic Programs or any of the accounts or items referred to above. In connection with the procedures referred to above, no matters came to our attention that caused us to believe that the specified accounts or items should be adjusted. Had we performed additional procedures or had we made an audit of any financial statements of the Intercollegiate Athletic Department of Norfolk State University in accordance with generally accepted auditing standards, matters might have come to our attention that would have been reported to the President of the University. This report relates only to the accounts and items specified above and does not extend to the financial statements of Norfolk State University or its Intercollegiate Athletics Department taken as a whole.

#### **Internal Control Policies and Procedures Related to Intercollegiate Athletic Programs - Agreed-Upon Procedures**

The management of Norfolk State University is responsible for establishing and maintaining internal control for its Intercollegiate Athletic Programs. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of controls. The objectives of internal control are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management’s authorization and recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles.

Because of inherent limitations in any internal control, errors or irregularities may occur and not be detected. Also, projection of any evaluation of the internal control to future periods is subject to the risk that procedures may become inadequate because of changes in conditions, or that the degree of compliance with the procedures may deteriorate. Our procedures and findings are as follows:

- d. We reviewed an organizational chart provided by the Intercollegiate Athletics Department and discussed it with appropriate personnel. We reviewed documentation of accounting systems and operating procedures. We also made certain inquiries of management regarding control consciousness, the use of internal audit in the department, competence of personnel, and protection of records and equipment.

- e. We reviewed internal control over cash receipts and disbursements, including payroll, for the Intercollegiate Athletic Programs. We reviewed the relationship of internal control over Intercollegiate Athletic Programs to internal control reviewed in connection with the audit of the University's financial statements. Our review also included those controls unique to intercollegiate athletics that have not been reviewed in connection with the audit of the financial statements.
- f. We reviewed the University's procedures for monitoring activities of the Norfolk State University Athletic Foundation. The President of the University and the Athletic Director are ex-officio members of the Foundation's Board. Also, the Athletic Foundation is audited annually by an independent certified public accountant.

Agreed-upon procedures "d" through "f" applied to certain aspects of the University's internal control were more limited than would be necessary to express an opinion on internal control of Norfolk State University in effect for the year ended June 30, 2002, taken as a whole. Because our review and evaluation was limited to applying those agreed-upon procedures, we do not express such an opinion. In connection with applying procedures "d" through "f" above, we noted no material weaknesses relating to internal control over the Intercollegiate Athletic Program activities administered by the University.

This report is intended solely for the information and use of the University and authorized representatives of the National Collegiate Athletic Association and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

AUDITOR OF PUBLIC ACCOUNTS

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## **SCHEDULE**

NORFOLK STATE UNIVERSITY  
SCHEDULE OF REVENUES AND EXPENDITURES  
OF INTERCOLLEGIATE ATHLETIC PROGRAMS  
For the Year Ended June 30, 2002

	Administrative and General	Football	Men's Basketball	Women's Basketball	Other Sports*	Total
Operating revenues:						
Student activity fees	\$ 2,168,402	\$1,312,776	\$ 447,131	\$ 412,574	\$ 1,516,939	\$ 5,857,822
Ticket sales	-	336,160	66,030	385	16	402,591
Program sales	-	2,637	-	-	-	2,637
Concessions	450	7,850	100	-	-	8,400
Facilities rentals	7,059	-	-	-	-	7,059
Game guarantees	-	10,000	59,856	3,000	-	72,856
Gifts and grants	50,000	-	-	-	41,814	91,814
Other income	214,382	2,645	20	-	1,950	218,997
Total operating revenues	2,440,293	1,672,068	573,137	415,959	1,560,719	6,662,176
Operating expenditures:						
Salaries and fringe benefits	795,526	454,844	199,576	190,254	284,542	1,924,742
Travel	25,374	140,074	73,330	64,139	174,235	477,152
Financial aid	53,778	651,745	154,043	182,501	819,695	1,861,762
Maintenance and general	307,245	192,835	57,591	47,038	212,329	817,038
Equipment	1,307	17,450	3,561	194	2,353	24,865
Publicity	-	-	-	-	150	150
Telephone	37,588	5,319	2,266	-	1,943	47,116
Insurance	32,540	-	-	-	-	32,540
Auxiliary administration	172,360	189,899	63,219	61,725	195,179	682,382
Total operating expenditures	1,425,718	1,652,166	553,586	545,851	1,690,426	5,867,747
Excess of revenues over operating expenses before transfers	1,014,575	19,902	19,551	(129,892)	(129,707)	794,429
Mandatory transfers - debt service	170	(719,880)	(226,335)	-	-	(946,045)
Non-mandatory transfers - from other funds	29,707	-	-	-	-	29,707
Net increase (decrease) in fund balances	\$ 1,044,452	\$ (699,978)	\$ (206,784)	\$ (129,892)	\$ (129,707)	(121,909)
Fund balances at July 1, 2001						(769,079)
Fund balance at June 30, 2002						\$ (890,988)

\*Other sports include baseball, men's track & field, men's tennis, wrestling, softball, women's track & field, women's tennis, women's volleyball, and bowling.

The accompanying Notes to Schedule of Revenues and Expenditures of Intercollegiate Athletic Programs are an integral part of this Schedule.

NORFOLK STATE UNIVERSITY  
NOTES TO SCHEDULE OF REVENUES AND EXPENDITURES OF  
INTERCOLLEGIATE ATHLETIC PROGRAMS  
AS OF JUNE 30, 2002

1. BASIS OF PRESENTATION

The accompanying Schedule of Revenues and Expenditures of Intercollegiate Athletic Programs has been prepared on the accrual basis of accounting. However, the Schedule accounts for capital purchases as expenditures when purchased with current revenues, does not account for depreciation, and accounts for long term capital purchases as amounts for debt service are transferred to the general university accounts. The purpose of the Schedule is to present a summary of revenues and expenditures of the Intercollegiate Athletic Programs of the University for the year ended June 30, 2002 using the accounting methods used by the University to monitor intercollegiate athletic program activities. The Schedule includes only those intercollegiate athletic revenues and expenditures under the direct accounting control of the University. Because the Schedule presents only a selected portion of the activities of the University, it is not intended to and does not present either the financial position, changes in financial position, or changes in cash flows for the year then ended.

2. ALLOCATION OF ATHLETIC OVERHEAD COSTS

The University recovers overhead costs such as utilities and custodial services from all auxiliary enterprises on campus, including athletics. The amount recovered is a percentage of each auxiliary enterprise's expenditures during the fiscal year. In the fiscal year ended June 30, 2002, the overhead rate charged to athletics and other auxiliary enterprises was 12.22 percent.

3. BONDS PAYABLE

The University issued General Revenue Pledge Bonds in 1996 for \$9,260,000 to finance construction of a sports stadium. The bonds will be repaid with general operating revenue through 2018.



NORFOLK STATE UNIVERSITY  
Norfolk, Virginia

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Alfred L. Austin, Vice-Rector

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Jack L. Ezzell, Jr.	Maria A. Ortiz

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Thelma Thompson-DeLoatch, Vice President for Academic Affairs

Larry Curtis, Vice President for Student Affairs

Paul Shelton, Vice President for University Advancement

Orby Moss, Athletic Director